DOCUMENT RESUME

ED 275 854 CE 045 442

AUTHOR Moore, Richard W.
TITLE Virginia's Private Career Schools. An Overlooked Resource for Job Training and Economic Development.
INSTITUTION Training Research Corp., Santa Monica, CA.
SPONS AGENCY Virginia Association of Private Career Schools.
PUB DATE 14 Apr 86
NOTE 69p.
AVAILABLE FROM Training Research Corporation, 309 Santa Monica Blvd., Suite 323, Santa Monica, CA 90404 ($7.50).
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Business Education; *Economic Development; *Job Training; Postsecondary Education; Private Schools; *Proprietary Schools; Role of Education; *School Role; State Surveys; *Vocational Education; Vocational Schools
IDENTIFIERS *Virginia

ABSTRACT

A study gathered objective data to inform policymakers and the public about the role of the private career school in providing postsecondary vocational training. The universe of the study was made up of state-approved for-profit business, trade, and technical schools and nationally accredited cosmetology schools. A mailed questionnaire gathered data on the school practices, students, and economic impact on the states' economy. Five major findings emerged. Virginia's private career schools constituted a vocational training resource at least equal in size to the Virginia Community College System's occupational/technical programs. Private career schools were a diverse and highly competitive sector of higher education. They served a large number of disadvantaged students. Private career schools were highly responsive to changes in the labor market and to the needs of local employers. They had a major impact on Virginia's economy. Four recommendations are made in the report: in future planning, policymakers should consider use of private career schools before expanding public programs; private career schools should be linked to state training efforts through innovative funding strategies; the department of education should develop a database of comparable data on private and public postsecondary training programs; and Virginia should initiate continuing programs of research and evaluation on both public and private postsecondary training. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED275854

TRAINING
RESEARCH
CORPORATION

VIRGINIA'S PRIVATE CAREER SCHOOLS:

AN OVERLOOKED RESOURCE FOR JOB TRAINING AND ECONOMIC DEVELOPMENT

By
Richard W. Moore
Training Research Corporation

Submitted to:
Virginia Association of Private Career Schools

April 14, 1986

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

R W Moore

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CE 045 742

BEST COPY AVAILABLE

A Non-profit Institution

309 Santa Monica Boulevard, Suite 323 • Santa Monica, California 90401 • (213) 393-0061

ACKNOWLEDGEMENTS

A study of this scope cannot be completed without the help of many people. First and foremost I would like to thank the private career schools who took the time to complete what was a lengthy and complicated questionnaire. The Board of Directors of the Virginia Association of Private Career Schools (VAPCS) was instrumental in developing the study questionnaire and, in supporting the study throughout. Marilyn Helms, President of VAPCS provided advice and enthusiasm over the course of the study.

The Virginia Department of Education, the Virginia Community College System and the Virginia Board of Cosmetology all assisted the study with important background data. We would particularly like to thank Charles Finley of the Department of Education and Elmo Roesler of the Community College System for their cooperation.

George Goldman of the University of California Berkeley, was the consulting economist on the study who provided his expertise in economic impact analysis.

Alan Kilpatrick of TRC coordinated all the field work for the survey. My collegues Wellford Wilms and Roger Bolus assisted in the analysis of the study data. A special thanks to Laura Powers and Laura Kent for once again producing quality work on a tight deadline.

Table of Contents

Executive Summary..... i

Introduction..... 1

Purpose of the Study..... 3

Research Methods..... 4

Results:

1. How can Virginia's private career schools be described in terms of enrollments, completions, placements, accreditation, status, ownership, financial aid, and program offerings?.... 7

2. What student populations are served by private career schools?.....19

3. What are the schools' admissions practices?.....27

4. With what other types of institutions do private career schools compete?.....29

5. How responsive are private career schools to shifts in the labor market?.....30

6. What is the impact of private career schools on the Virginia economy?.....36

7. What is the outlook for private career schools over the next two years?.....47

Summary of Findings.....49

Recommendations.....52

References.....57

Executive Summary

Nationally, Proprietary (profitmaking) vocational schools account for almost two-thirds of the postsecondary institutions offering vocational training and for nearly three-fourths of all postsecondary vocational enrollments. But despite this, the proprietary sector is often ignored in the development of public policy.

Thus, while Virginia's private vocational schools are represented on the State Council for Higher Education and on the state's Private Industry Council they are not mentioned in the two documents that guide postsecondary training policy; The Virginia Plan for Higher Education, 1983, and the Virginia Community College System Master Plan 1982-1990. Virginia's private career schools are also excluded from state financial aid programs such as Tuition Assistance Grants (TAG) and State Student Incentive Grants (SSIG).

In an era of declining state and federal resources for higher education and for job training, it is surprising that policymakers continue to overlook this sector, which can do much to complement public-sponsored training. One reason for this exclusion is the lack of information about private career schools that will allow policymakers to include private career schools with public programs in state planning.

Purpose of the Study

In the fall of 1986, the Virginia Association of Private Career Schools (VAPCS) contracted with Training Research

Corporation (TRC) to conduct a study of private career schools in Virginia. The purpose of the study was to gather the objective data needed to inform policymakers and the public about the role of the private career school in providing postsecondary vocational training.

The universe of the study was made up of 116 schools which were state approved for-profit business, trade or technical schools operating during the 1984-85 school year or nationally accredited cosmetology schools. These schools were sent a questionnaire developed to gather data on the school practices, students, and economic impact on the states' economy. Sixty-two percent of the schools returned completed questionnaires. Twenty-eight of the forty-four nonrespondent schools had completed the annual state questionnaire. State data for these schools were merged with survey respondents' data for analysis, providing data for 86% of the schools.

Summary of Results

Five major findings emerged from this study.

1. Virginia's private career schools constitute a vocational training resource at least equal in size to the Virginia Community College System's occupational/technical programs. Private career schools enrolled 21,335 students full-time, and 12,469 students part-time. Their estimated full-time-equivalent enrollment was over 27,500, compared with a full-time-equivalent enrollment of 22,721 in community college occupational/technical programs.

2. Private career schools are a diverse and highly competitive sector of higher education. The private career schools included in the study ranged in size from small schools enrolling fewer than 100 students and offering a single program to large multiprogram technical institutes. They offered a wide array of programs in business, health, the traditional trades, technical fields, and cosmetology. Fifty-six percent were accredited by a nationally recognized body, making their students eligible for a variety of federal financial aid programs. Most of them were owned by corporations, but one in five was owned by a sole proprietor who probably operated the school by him/herself. Forty percent of the schools were part of a chain.

The schools compete aggressively for students. As a group, they spent over $2.8 million in advertising during the 1984-85 school year. They saw themselves as competing primarily with other private career schools and with the occupational/technical programs of the public community colleges. To a more limited degree, they competed with other public adult education programs, community-based organizations, and certificate programs in four-year colleges.

3. Private career schools serve a large number of disadvantaged student. While their clientele came from all ethnic groups and social classes, the private career schools served a particularly large group of disadvantaged students. Forty-two percent of those enrolled in the typical proprietary school were minority students. Over half of the financially

independent students earned less than $12,000, and 17% had relied on public assistance before enrolling. Almost one in five students had not completed high school before enrolling.

Private career schools served both young students seeking training for their first jobs and older students seeking retraining. Technical and trade schools enrolled larger proportions of reentry students, whereas business and cosmetology schools enrolled larger proportions of younger students.

Even though a large proportion of their students were disadvantaged, private career schools reported a completion rate of 71%, which compares favorably with the national rate for all proprietary schools (63%) and for public community colleges (46%).

The schools placed 64% of their graduates in jobs related to training; an additional 9% found unrelated jobs. In all, the schools surveyed reported training and placing over 16,000 students in 1984-85.

4. Private career schools are highly responsive to changes in the labor market and to the needs of local employers. Several findings from this study demonstrate the responsiveness of private career schools to employers. First, private schools were quick to drop or add programs, because of changes in local labor market conditions. Thus, decisions to add programs were based primarily on student requests and employer requests. Schools involved in new high-technology fields also relied heavily on industry advisory groups to determine if new programs should be added. Similarly, declining enrollments and difficult placement were the

primary reasons for dropping programs.

Many private career schools were working cooperatively with local firms to develop training programs for employees. Thirty-one percent of the schools surveyed had contracted with at least one employer for specialized programs.

The schools were also responding to public sector demand by participating in JPTA programs. Twenty-eight percent of the schools surveyed had participated in state or local JPTA programs in 1984-85.

5. Private career schools have a major impact on Virginia's economy. In 1984-85, the schools surveyed employed 1,162 full-time workers and 914 part-time workers and had a payroll of more than $16 million. They created a total of 3,157 private sector jobs in Virginia. Overall, the schools as an industry generated over $124 million in private-sector sales and $45 million in personal income, as well as paying over $1.1 million in federal, state, and local taxes.

Recommendations

1. In planning for the future, policymakers should consider ways to use the resources of private career schools before expanding public programs.

For the foreseeable future, concern about the national deficit will mean reduced federal resources for postsecondary education. Policymakers must find ways to stretch existing resources in order to meet the needs of a growing economy that is

being reshaped by technological and demographic change.

One way to do this is to make better use of the substantial private investment in job training that is represented by Virginia's private career schools. Besides complementing public vocational training, these schools have some unique strengths. Driven by the profit motive, they have been particularly successful in reaching the most disadvantaged students and in responding to the needs of local employers.

2. Private career schools should be linked to state training efforts through innovative funding strategies.

Some career schools are already linked to public training through their participation in JPTA and in federal financial aid programs. Policymakers could strengthen these links by allowing local community colleges and school districts to contract with private career schools for training in certain areas. This arrangement would give community college students access to programs otherwise not available to them but would not entail the substantial investment and risk involved in starting what may be a redundant program in the public sector.

Moreover, the state will not be saddled with unused physical plants or tenured faculty in subjects for which there is no longer any student demand.

Formally, linking private career schools to public programs and state planning does create some risks. Private career schools driven by the profit motive appear to respond quickly to changes

in student or employer demand. If schools came to rely on public funding through contracts or student aid, they may cease responding to markets.

One solution to this dilemma is to design public programs that provide the schools with an incentive to respond to the labor market. One approach, used by the Employment Training Panel (ETP) in California, is to contract for training with private providers, but pay only for participants who complete the program and are successfully placed. Other plans involving vouchers and performance contracts have been used in JPTA programs. Such innovative strategies should be considered in future state planning.

The human and physical capital invested in private career schools should be an attractive inducement to those companies which may be thinking of locating in Virginia. By including these private resources in state planning, Virginia can offer a more comprehensive package of training resources to employers.

3. The department of education should develop a data base of comparable data on private and public postsecondary training programs.

This study provides the basic data needed to begin including private career schools in state planning, but more data are needed. The state should collect comparable data on public and private course offerings, costs, enrollments, placements, and expenditures. Upgraded data should improve the quality of planning by allowing the state to monitor critical trends and to

make adjustments in response to changes in the economy.

A state data base would also be valuable to the consumer. If prospective students have objective data on program lengths, accreditation, financial aid, graduation rates, placement rates, and costs, they can choose more wisely among the public and private options available to them.

4. The state of Virginia should initiate continuing programs of research and evaluation on both public and private postsecondary training.

This study represents a modest, privately-funded effort to provide the comparative data needed for policymaking. However, it makes no attempt to assess the real costs of public vs. private training or to calculate the return on public investment in private and public training. Such an examination is needed if policymakers are to allocate the limited funds available in the most efficient manner possible.

Further research is also needed to determine what incentives can be built into job training policies to insure that the vocational programs of both public and private institutions are responsive to the labor market.

Introduction

Private for-profit vocational schools existed as early as the seventeenth century (Clark and Sloan, 1960). Today they constitute the largest provider of postsecondary vocational training in the United States. The National Center for Education Statistics (NCES, 1982) estimates that there are 6,013 private postsecondary vocational schools in the country, accounting for two-thirds of all schools that offer postsecondary vocational training and enrolling an estimated 1.2 million students, 72% of all postsecondary vocational students.

When the Higher Education Amendments of 1972 expanded the definition of "higher education" to include accredited private vocational schools, students at these schools were for the first time given access to student aid available under Title IV of the Higher Education Act of 1965. The 1972 Amendments also provided for the inclusion of private vocational schools in the state-level policymaking by mandating their membership on "1202 Commissions," state-level planning bodies made up of representatives of each sector of postsecondary education and charged with coordinating and planning for the education needs of the individual states.

Virginia's private vocational schools are represented on the State Council for Higher Education and on the state's Private Industry Council, which oversees the expenditure of federal Job Training Partnership Act funds. But the degree to which private

vocational schools are actually considered in state policy is open to question. The Virginia Plan for Higher Education, 1983 makes no mention of them, nor does the Virginia Community College System Master Plan, 1982-1990. And even though federal law requires that states develop a five-year plan for spending the funds allocated to them under the Vocational Education Act, the Virginia five-year plan focuses exclusively on public programs. (Virginia's private career schools are also excluded from several financial aid programs including Tuition Assistance Grants (TAG) and State Student Incentive Grants (SSIG)). Moreover, when Virginia created its State College Work-Study Program, it initially excluded private vocational programs from its definition of postsecondary education, although legislation has since been passed to include these schools. As these exclusions show, private vocational schools have been accepted to a degree but, in many practical ways, they remain outside the mainstream of postsecondary education.

This pattern is not unusual. Most states exclude private vocational schools from their higher education planning. In an era of declining state and federal resources for higher education and for job training, it is surprising that policymakers continue to overlook this sector, which can do much to complement public-sponsored training.

One explanation often given for this exclusion is the lack of information on proprietary schools. For instance, while the

Virginia Department of Education routinely gathers baseline data on the enrollments, completions, placements, and program offerings of these schools, this effort is aimed primarily at regulating the schools and protecting the consumer. The data are not automated and are seldom used by planners.

Recognizing this problem, the study reported here was designed to provide policymakers with reliable information that will allow them to include private career schools (as they are termed in Virginia) on equal footing with public programs in state planning.

PURPOSE OF THE STUDY

In the fall of 1985, the Virginia Association of Private Career Schools (VAPCS) contracted with Training Research Corporation (TRC) to conduct a study of private career schools in Virginia. The purpose of the study was to gather the objective data needed to inform policymakers and the public about the role of the private career school in providing postsecondary vocational training.

The study was designed to answer seven questions:

1. How can Virginia's private career schools be described in terms of enrollments, completions, placement, accreditation status, ownership, costs, financial aid, and program offerings?

2. What student populations are served by private career schools?

3. What are the schools' admission practices?

4. With what other types of institutions do private career schools compete?

5. How responsive are private career schools to shifts in the labor market?

6. What is the impact of private sector career schools on the Virginia economy?

7. What is the outlook for the private career schools over the next two years?

RESEARCH METHODS

Survey population

To answer the questions posed above, a survey of Virginia's private career schools was undertaken. The initial population of schools to be surveyed included business, trade, and technical schools approved by the Virginia Department of Education and cosmetology schools approved by the Virginia Board of Cosmetology. To be included in the final sample, schools had to meet four additional criteria:

1. They had to be operating during the 1984-5 school year.
2. They had to be for-profit institutions.
3. They had to do more than just provide in-house training for a single employer.

4. In the case of cosmetology schools, they had to be accredited by the National Accrediting Commission of Cosmetology Arts and Sciences. Nonaccredited schools were dropped because the Virginia Board of Cosmetology does not maintain the enrollment data needed to estimate results for schools that did not complete the survey questionnaire.

The application of these criteria to the original population created a new universe of 116 schools for the survey.

To answer the questions posed above, a questionnaire--composed in part of items that had previously been used in similar studies for the states of New York and California--was developed. After being reviewed by the VAPCS, it was mailed to each of the 116 schools, along with a cover letter explaining the purpose of the study. Two weeks later, nonrespondents received a postcard reminder. During the third week, TRC staff began calling nonresponding schools. Schools that did not respond to these calls were then contacted by VAPCS. A duplicate questionnaire and cover letter were sent to all nonrespondents, and a week later a second postcard reminder was sent.

Table 1 shows that 72 (62%) of the 116 schools returned a completed study questionnaire. In addition, 28 of the 44 nonresponding schools had completed the annual state questionnaire which the Virginia Department of Education uses to collect data on accreditation, enrollments, completions, placement, faculty, and financial aid at private career colleges. These data were merged

with the research file and used in the analysis. The addition of these 28 schools increased the number of schools responding to 100 schools, or 86% of the population. The remaining 16 nonresponding schools were excluded from the analysis since without data, it cannot even be assumed that they were in operation in 1984-85.

TABLE 1

STUDY POPULATION BY SCHOOL TYPE *

	Business	Trade	Technical	Cosmo	Total
Original study Population	31	44	19	22	116
Respondents to Study Questionnaire	18 (58%)	26 (59%)	12 (63%)	16 (73%)	72 (62%)
Nonrespondents, state data available	10 (32%)	14 (32%)	4 (21%)	0 (0%)	28 (24%)
Nonrespondents, no available state data	3 (10%)	4 (3%)	3 (16%)	6 (27%)	16 (14%)
Final study population	28	40	16	16	100

* The Virginia Department of Education classifies approved schools into three categories--business, trade or technical--based on the course of study they offer. This classification system is used throughout this study. Cosmetology schools are schools approved by the Virginia Board of Cosmetology, which also have National accreditation.

RESULTS

The results of the study are presented as answers to the seven questions posed above.

1. How can Virginia's private career schools be described in terms of enrollments, completions, placements, accreditation status, ownership, financial aid, and program offerings?

It should be noted that the data presented here is based on data reported by the schools either to the state or on the TRC questionnaire.

Enrollments. The Virginia private career schools included in this study reported enrolling a total of 33,384 students in the 1984-85 school year, most of them (64%) on a full-time basis (Table 2). To put these enrollment figures in perspective, the Virginia Community College system enrolled a total of 39,067 occupational/technical students, both full-time and part-time, in the fall of 1984. The community colleges' full-time-equivalent (FTE) enrollment for 1984-85 was 22,721. Assuming that the part-time students in private career schools were enrolled on a half-time basis, their FTE enrollment was about 27,500 (VCCS, 1985). These figures indicate that Virginia's private career schools are providing training at a volume at least equal to that provided by community college occupational/technical programs.

Of the private career schools, business schools enrolled the largest number of students (13,931), most of them (88%) full time;

Completion and placement. In 1984-85, schools reported that 23,364 students completed programs in the private career schools studied, an overall completion rate of 71% (Table 3). This rate compares favorably with the national completion rate of 63% for all proprietary schools and 46% for vocational students in community colleges (NCES, 1979). The completion rate was highest for trade schools (87%) and lowest for technical schools (62%).

Of those students who completed their programs, about three in four (73%) were placed in jobs: 64% got jobs related to their training, and 9% got jobs unrelated to their training. Trade and cosmetology schools were most successful at placing their graduates in training-related jobs, whereas technical schools were least successful.

TABLE 3
COMPLETION AND PLACEMENT
BY SCHOOL TYPE

	Business	Trade	Technical	Cosmo	Total
Average percentage of completers	65%	87%	62%	69%	71%
Total completions 1984-85	9055	4514	8180	1615	23,364
Average percentage of related placements	61%	75%	57%	72%	64%
Total placements in related jobs	5524	3386	4663	1163	14,736
Average percentage of unrelated placements	10%	10%	7%	2%	9%
Total placements in unrelated jobs	906	451	573	32	1962

Accreditation. As Table 4 shows, 56% of the schools surveyed were accredited by some national accrediting body: the Association of Independent Colleges and Schools (18%), the National Association of Trade and Technical Schools (8%), the National Accreditation Commission of Cosmetology Arts and Sciences (16%) or some other accreditation group recognized by the U.S. Education Department (15%).

TABLE 4
ACCREDITATION BY SCHOOL TYPE

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
AICS-accredited	61% (17)	0% (0)	6% (1)	0% (0)	18% (18)
NATTS-accredited	11 (3)	0 (0)	31 (5)	0 (0)	8 (8)
NACCAS-accredited	0 (0)	0 (0)	0 (0)	100 (16)	16 (16)
Other accreditation	21 (6)	8 (3)	38 (6)	0 (0)	15 (15)
Unaccredited	7 (2)	92 (37)	25 (4)	0 (0)	44 (44)

Ownership. Over three-quarters of the schools included in the study were owned by corporations, 19% were owned by sole proprietors, and only 2% were owned by partnerships (Table 5).

TABLE 5
SCHOOL OWNERSHIP 1983-84,
BY SCHOOL TYPE

	Business N=18	Trade N=26	Technical N=12	Cosmo N=15	Total N=71
Sole proprietor	11% (2)	35% (9)	25% (3)	0% (0)	19% (14)
Partnership	11 (2)	0 (0)	0 (0)	0 (0)	2 (2)
Corporations	78 (14)	65 (17)	75 (9)	100 (15)	78 (55)

The ownership of Virginia's private career schools has been fairly stable (Table 6). Only 20% of the schools studied had changed owners since 1980, with such changes most common among cosmetology schools and least common among business schools.

TABLE 6
OWNERSHIP CHANGES SINCE 1980,
BY SCHOOL TYPE

	Business N=18	Trade N=26	Technical N=12	Cosmo N=15	Total N=71
Change in ownership	11 (2)	15 (4)	25 (3)	33 (5)	20 (14)

Forty-one percent of the schools in the study were part of a chain with more than one location (Table 7). Multiple locations were most common among cosmetology and business schools.

TABLE 7
SINGLE OR MULTIPLE LOCATION
BY SCHOOL TYPE

	Business N=18	Trade N=26	Technical N=12	Cosmo N=15	Total N=71
Single location	39 (7)	81 (21)	75 (8)	40 (6)	59 (42)
Multiple locations	61 (11)	19 (5)	25 (4)	60 (9)	41 (29)

Financial Aid. Virginia's private career schools participated in a number of federal financial aid programs (especially Pell Grants, Guaranteed Student Loans, and Veterans Administration programs) as well as some state programs (especially Vocational Rehabilitation). It should be noted that only accredited schools can participate in federal student aid programs and that there are additional requirements for participation in Veterans Administration programs and state Vocational Rehabilitation programs. (As mentioned earlier, private career schools are excluded from state aid programs such as Tuition Assistance Grants (TAG) and State Student Incentive Grants (SSIG)).

Table 8 shows the percentage of schools participating in each aid program, the average number of students at each participating school who received such aid, and the average size of the award. Need-based federal aid programs (Guaranteed Student Loans and Pell Grants) were the programs used by the largest number of students. Federal campus based aid programs (Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work-Study) were used by many fewer students. One reason for the limited use of campus-based aid is that other segments of postsecondary education who entered the program earlier had first claim on the available funds. Also students' access to College Work-Study is limited because recipients must work for nonprofit organizations, a requirement which means that students can not work at the for-profit schools they are attending. Secondly, most proprietary students are enrolled in intensive programs requiring from 25-30 hours per week (Moore and Wilms, 1985).

TABLE 8
FINANCIAL AID
BY SCHOOL TYPE

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
PELL grants % of Schools partic.	32%	3%	31%	63%	25%
Avg. N of students	401	86	323	88	248
Avg. school award	$337,389	$103,040	$541,229	$91,194	$269,270
GSL or FISL % of Schools partic.	32%	3%	25%	56%	23%
Avg. N of students	380	205	576	62	282
Avg. school award	$762,350	$410,000	1,224,644	$155,016	$589,777
SEOG % of Schools partic.	32%	3%	25%	31%	19%
Avg. N. of students	47	17	136	22	57
Avg. school award	$19,921	$5400	$67,768	$7744	$26,025
NDSL % of Schools partic.	32%	0%	25%	13%	15%
Avg. N of students	33	--	106	52	55
Avg. school award	$36,295	--	$157,292	$31,350	$67,902
WORKSTUDY % of Schools partic.	32%	3%	13%	6%	13%
Avg. N of students	18	2	45	38	22
Avg. school award	$23,020	$552	$32,576	%22,791	$22,744

TABLE 8 (Cont.)
FINANCIAL AID BY SCHOOL TYPE (Cont.)

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
VA BENEFITS % of Schools Partic.	32%	13%	31%	19%	22%
Avg. N of students	32	6	39	3	24
Avg. school award	$98,673	$6817	$77,981	$4788	$67,850
VOCATIONAL REHAB. % Schools partic.	29%	20%	31%	25%	23%
Avg. N of students	6	2	4	2	3
Avg. school award	$19,713	$2293	$13,490	$1322	$9924
OTHER AWARDS % of Schools partic.	7%	8%	13%	0%	7%
Avg. N of students	13	1	30	--	13
Avg. school award	$36,750	$5969	$65,692	--	$28,595

Program offerings. Virginia's private career schools offered programs in a wide array of fields (Table 9). Most popular in the business field were secretarial, accounting, and word processing programs. In the trade/technical area, offerings ranged from computer repair to boat building, with computer programs being by far the most popular. In cosmetology, almost all students were enrolled in state-approved programs leading to licensure.

TABLE 9
FULL-TIME AND PART-TIME ENROLLMENTS
BY TYPE OF PROGRAM

	Number Enrolled Full-Time	Number Enrolled Part-Time	Total Number of Programs	Total Enrollment
Business				
Secretarial	2273	570	58	2843
Word Processing Info Processing	1232	343	18	1575
Accounting/ Bookkeeping	1883	52	15	1935
Business/ Management	354	77	10	431
Paralegal	115	37	3	152
Travel/ Hospitality	751	51	12	802
Fashion Merchandizing	327	80	4	407
Bank Telling, Cashier	144	105	5	249
Data Entry	672	55	14	727
Business/Other	474	1313	9	1787
Health				
Modeling	1155	608	21	1763
Nursing	612	60	16	672
Allied Health	175	0	6	175
Medical Assisting	1138	33	15	1171
Dental Assisting	208	*	3	208

TABLE 9 (Cont.)
FULL-TIME AND PART-TIME ENROLLMENTS
BY TYPE OF PROGRAM

	Number Enrolled Full-Time	Number Enrolled Part-Time	Total Number of Programs	Total Enrollment
Trade/Technical				
Electronics/Computer Repair/Tech	689	38	7	727
Computers	6034	8012	47	14,046 *
Boat Building	5	0	1	5
Auto Diesel Mechanics	222	208	6	430
Bartending	624	95	6	719
Drafting	176	*	5	176
Court Reporting	50	25	1	75
Welding/ Metal Trades	61	0	14	61
Heating/Ventilation Air Conditioning	34	0	2	34
Electrolysis	13	5	4	18
Trade/Other	632	80	9	712
Skin Care/ Make-up	54	19	1	73
Cosmetology				
Cosmetology	1162	349	19	1511
Other programs	313	27	6	340

* This category includes many individuals taking short courses to learn how to use their personal computer.

2. What student populations are served by private career schools?

Virginia's private career schools served students from a wide range of educational and economic backgrounds, including a substantial proportion from the most disadvantaged social groups.

Reason for enrolling. Overall, the proportion of students who enrolled to get training for their first jobs was about equal to the proportion who sought retraining, although the pattern varied by type of school (Table 10). The majority of students in business and cosmetology schools were training for their first jobs, while the majority of those in trade and technical schools were interested in retraining.

TABLE 10
REASONS FOR STUDENTS ENROLLING
BY SCHOOL TYPE
(Average Percentage of Students)

	Business	Trade	Technical	Cosmo	Total
Training for first job	61	34	39	66	49
Retraining	39	66	61	44	51

Schedule. Close to two-thirds of the students enrolled at the schools in the study attended classes during the day, and about one third were enrolled in evening programs (Table 11). Business and cosmetology students were much more likely than were trade and technical students to attend day classes, probably because the latter tended to be older students who worked during the day, whereas the former were fresh out of high school and did not have daytime jobs.

TABLE 11
PERCENT OF STUDENTS ENROLLED DAYS & EVENINGS
BY SCHOOL TYPE
(Average percentage of Students)

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
Attend day classes	70	58	59	84	64
Attend evening classes	30	42	41	16	36

Note: Percentages may not total 100% due to averaging.

Ethnicity. Virginia's private career schools served students from all ethnic groups (Table 12). The ethnic composition of a typical school was 58% White, 28% Black, 4% Hispanic, 6% Asian, 4% "other". Trade schools enrolled a slightly higher proportion of Whites than other types of schools.

TABLE 12
ETHNIC BACKGROUND AND CITIZENSHIP
BY SCHOOL TYPE
(Average Percentages of Students)

	Business	Trade	Technical	Cosmo	Total
White	53	67	56	49	58
Black	30	22	35	30	28
Hispanic	5	4	3	4	4
Asian/Pacific Islanders	7	4	4	13	6
Other	5	3	2	4	4
U.S. Citizen	98	97	98	94	97

Age. Students under 20 years of age made up 44% of the student body in the typical private career school (Table 13). Thirty-nine percent of the students were between the ages of 20 and 24, and 17% were age 25 or over. Cosmetology schools enrolled the largest proportion of young students, technical schools the largest proportion of 20-to-24-year-olds, and trade schools the largest proportion of older students.

TABLE 13
AGE, BY SCHOOL TYPE
(Average Percentage of Students)

	Business	Trade	Technical	Cosmo	Total
Under 20 years old	49	33	41	61	44
Age 20-24	36	40	48	33	39
Age 25 or over	15	27	11	6	17

Public assistance. Private career schools served a substantial number of students from the most disadvantaged segments of society. Overall, 17% of the typical school's student body had received public assistance prior to enrollment (Table 14). The proportion was substantially higher in cosmetology schools, and somewhat lower in trade and technical schools.

TABLE 14

STUDENTS RECEIVING
PUBLIC ASSISTANCE PRIOR TO ENROLLMENT
BY SCHOOL TYPE
(Average Percentage of Students)

	Business	Trade	Technical	Cosmo	Total
Received public assistance	18	10	13	28	17

Income. Overall, three-fifths of the students attending the private career schools in the study were classified as independent for financial aid purposes, indicating that they did not rely on their parents for support (Table 15).

TABLE 15

DEPENDENT AND INDEPENDENT STUDENTS
BY SCHOOL TYPE
(Average Percentage)

	Business	Trade	Technical	Cosmo	Total
Independent	58	69	56	58	60
Dependent	42	31	44	42	40

Income data are shown separately for dependent and for independent students, since dependent students were reporting family (i.e., parental) income, whereas independent students were reporting their own or their spouse's income.

Over half (53%) of the independent students in the typical proprietary school reported incomes of less than $12,000 a year (Table 16). Almost a quarter reported incomes of less than $5,000 per year. Roughly a quarter of the independent students had incomes between $12,000 and $23,999, and another quarter had incomes of $24.000 or more. Cosmetology schools tended to enroll the largest population of low-income students, and trade schools the largest proportion of higher-income students.

TABLE 16
AVERAGE FAMILY INCOME OF INDEPENDENT AND DEPENDENT STUDENTS, BY SCHOOL TYPE
(Average Percent of Students)

	Business	Trade	Technical	Cosmo	Total
Independent:					
< $5000	23	21	23	33	23
$5000 - $11,999	27	24	45	30	30
$12,000- $23,999	33	17	21	29	24
$24,000- $35,999	11	21	8	7	12
$36,000- $47,999	5	13	2	1	8
$48,000- $59,999	1	2	1	0	2
>$60,000	0	2	0	0	1

TABLE 16 (Cont.)
AVERAGE FAMILY INCOME OF INDEPENDENT & DEPENDENT STUDENTS
BY SCHOOL TYPE

	Business	Trade	Technical	Cosmo	Total
Dependent:					
< $5000	14	26	11	14	17
$5000-$11,999	19	33	37	19	26
$12,000 $23,999	40	20	21	36	29
$24,000-$35,999	18	12	21	23	18
$36,000-$47,999	5	7	7	7	6
$48,000-$59,999	2	1	2	1	2
$60,000	2	1	1	0	2

The pattern for dependent students was somewhat different: Overall, 43% came from families with incomes of less than $12,000, and only 17% from families with income under $5,000. Almost 30% reported family incomes between $12,000 and $23,999, and 28% reported incomes of $24,000 or more. Trade schools tended to enroll the largest proportion of low-income dependent students.

Education. About one in five of the students enrolled in the typical private career school had not completed high school, an additional 52% had no more than a high school diploma or its equivalent and the remaining 29% had some education beyond high school. The latter figure includes 10% who had completed a bachelor's degree (Table 17).

Trade and cosmetology students were less likely than others to have completed high school, whereas business students were most likely to have had some education beyond high school.

TABLE 17
EDUCATIONAL LEVEL, BY SCHOOL TYPE
(Average Percent of Students)

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
Some high school	6	26	18	23	19
High school diploma	59	43	52	68	52
Some college	14	14	14	7	13
Vocational certificate or Assoociate degree	8	8	5	1	6
Baccalaureate or higher	13	9	11	1	10

3. What are the schools' admissions practices?

Almost 80% of the schools surveyed admitted students without a high school diploma, (Table 18). The proportion ranged from a high of 94% among cosmetology schools to a low of 65% among business schools.

The schools reported that, on an average, they refused admission to 12% of their applicants who did not have a high school diploma, ranging from a low of 2% of those applying to trade schools to a high of 27% of those applying to business schools.

TABLE 18
ADMISSIONS POLICY
BY SCHOOL TYPE

	Business	Trade	Technical	Cosmo	Total
Percentage of schools accepting applicants without high school diploma	65	74	67	94	79
Proportion of applicants refused admission because of not having high school diploma	27	2	10	14	12

The schools used a variety of methods to determine whether applicants lacking a high school diploma had the ability to benefit from instruction. The most common methods were personal interviews (used by 80% of the schools), standardized tests (39%), and school-created tests (29%). None of the schools reported using a hands-on test.

Standardized tests were used most frequently by cosmetology schools, personal interviews by trade and business schools, and school-created tests by business schools. Technical schools were somewhat less likely than other types of schools to use any of these methods.

TABLE 19
CRITERIA USED FOR ADMITTING APPLICANTS
WITHOUT HIGH SCHOOL DIPLOMAS, BY SCHOOL TYPE
(Percentage of Schools)

	Business N=11	Trade N=17	Technical N=8	Cosmo N=15	Total N=51
Standardized tests	45	12	13	80	39
Hands-on tests	0	0	0	0	0
School-created tests	55	35	25	7	29
Personal interview	91	94	38	67	80
Other criteria	27	12	25	7	15

4. With what other types of institutions do private career schools compete?

Table 20 shows the proportion of respondents reporting that they were "very competitive" with each of several types of vocational training providers: other proprietary institutions, community colleges, other public adult programs, community-based nonprofit organizations, certificate programs at four-year colleges and four-year degree programs.

Private career schools appeared to compete most directly with each other. Community colleges were the public institutions with which they were most competitive, followed by other adult education programs and community-based organizations. They were less likely to view themselves as competing with certificate or degree programs in four-year colleges and universities.

The pattern of competition varies, depending on the type of school. Technical and business schools were more likely than were trade and cosmetology schools to see themselves as directly competitive with community colleges. One-third of the technical schools, compared with fewer than 10% of the other types of career schools, saw themselves as very competitive with certificate programs in four-year colleges, probably because both institutions offer programs in various computer occupations.

TABLE 20
CHIEF COMPETITORS,
BY SCHOOL TYPE
(Percentage of Schools Indicating They Were "Very Competitive"

	Business N=17	Trade N=24	Technical N=12	Cosmo N=15	Total N=68
Type of Competitor					
Other proprietaries	47	50	75	40	51
Community colleges	24	17	33	13	21
Other adult education programs	18	13	17	7	15
Community based organizations	18	4	25	7	12
Certificate programs in four-year colleges	6	0	33	7	9
Degree programs in four-year colleges	6	0	17	7	6

5. How responsive are private career schools to shifts in the labor market?

To answer this question, we asked school directors to indicate how many programs they had added or dropped during the 1984-85 school year, why they added or dropped programs, and whether they had contracted to provide training directly to private employers.

As Table 21 shows, private career schools changed their offerings frequently. During a single school year (1984-85) the typical school dropped seven-tenths, (indicating that 7 out of 10 schools dropped a program) of a program and added one-tenth of a program (indicating 1 out of 10 added a program). Business schools were most likely to change program offerings, followed by trade schools. Technical and cosmetology schools were less likely to add or drop programs, perhaps because they are more specialized and have fewer programs to change.

TABLE 21
AVERAGE NUMBER OF PROGRAMS ADDED AND DROPPED,
BY SCHOOL TYPE

	Business	Trade	Technical	Cosmo	Total
Programs dropped (total)	1.1	.9	.2	.4	.7
Programs added (total)	.2	.1	>.1	>.1	.1

Table 22, which shows the reasons that school directors give for adding or dropping programs, suggests that private career schools respond to two markets. Student demand and employer demand. Overall, 70% of the schools added courses at the request of students, with cosmetology schools being the most likely, and technical schools least likely, to cite this as a "very important" reason; and 68% added courses because of employer demand for

trained workers, with the proportion being highest among technical schools and lowest among trade schools. The only other factor deemed very important by a sizable proportion of the sample (48%) was the recommendation of an advisory board. It is interesting to note that technical schools, which are often involved in computer and electronics programs, were most likely to rely on an industry advisory board, indicating that these schools remain in close touch with the growing industries they serve.

TABLE 22
REASONS FOR ADDING PROGRAMS
BY SCHOOL TYPE
(Percentage of Schools Saying Reason was "Very Important")

Reason	Business	Trade	Technical	Cosmo	Total
Student requests	71	74	55	78	70
Employer requests	76	53	82	67	68
Recommenation of advisory board	59	37	73	22	48
State labor market info	41	11	36	22	27
Informal industry contacts	29	21	27	22	25
Local want ads	47	5	27	0	21
Other school offerings	18	5	9	11	11

Similarly, the most common reasons for dropping programs were declining enrollments (i.e., lack of student demand), cited most frequently by cosmetology and technical schools, and difficult placement (i.e., lack of employer demand), cited most frequently by business schools. In addition, trade schools were more likely than other types to drop programs because they were too costly. The recommendations of advisory boards were much more important to business and technical schools than to trade and cosmetology schools, suggesting that the former are more closely tied to volatile high-tech industries so that monitoring change is more important to them.

TABLE 23
REASONS FOR DROPPING PROGRAMS
BY SCHOOL TYPE
(Percentage of Schools Saying Reason was "Very Important")

Reason	Business	Trade	Technical	Cosmo	Total
Declining enrollment	71	71	82	89	76
Difficult placement	82	36	64	33	57
Too costly	35	64	55	44	49
Recommendation of advisory board	41	7	45	0	25

A relatively new development in the proprietary school sector entails direct contracting arrangements with private employers. As Table 24 shows, 31% of the schools surveyed in the 1984-85 school year had at least one contract to either train new employees or retrain veteran employees, for particular private firms. The nature of these contracts varied tremendously, from computer and word processing programs for AT&T to programs in business correspondence, marine safety, and navigation. The companies involved ranged from small real estate firms to major international corporations. The schools also served the public sector with programs in word processing, data base management, and career development. The agencies involved ranged from the Department of Defense to the Peninsula Transportation Authority.

Respondents to the survey reported that, because of the declining number of high school graduates in Virginia, they have aggressively pursued the retraining market by going directly to public and private employers to learn their training needs, and by designing special programs to meet those needs.

TABLE 24
CONTRACT ARRANGEMENTS WITH PRIVATE EMPLOYERS,
BY SCHOOL TYPE

	Business N=17	Trade N=24	Technical N=11	Cosmo N=16	Total N=68
Percentage of schools contracting with private employers to train employees	47	37	36	0	31

Virginia's private career schools also work cooperatively with the public sector by participating in Job Partnership and Training Act (JPTA) programs. Twenty-eight percent of the schools surveyed had a JPTA program during 1984-85. Technical and business schools were most likely, and cosmetology and trade least likely to have such programs, which tended to be small, averaging only 12 participants, with a high of 26 in technical schools to a low of 2 in cosmetology schools.

TABLE 25
SCHOOLS CONDUCTING JPTA PROGRAMS,
BY SCHOOL TYPE

	Business N=18	Trade N=23	Technical N=12	Cosmo N=16	Total N=69
Percentage of schools	28	17	33	19	28
Average number of JPTA participants	13	4	26	2	12

6. What is the impact of private career schools on the Virginia economy?

To answer this question, TRC staff reviewed two recent studies of the economic impact of private for-profit vocational schools. One, sponsored by the Association of Independent Colleges and Schools (AICS), first estimated the institutional revenues, student expenditures, savings to taxpayers, and increased lifetime alumni earnings of AICS-accredited schools and then aggregated these estimates to assess the total economic impact of these schools nationwide. The second measured the impact of California's proprietary school sector on the state's economy in 1983, looking at three categories of factors: tuition revenues, annual payroll, and the estimated value of plant and equipment (Wilms, 1984). Both these studies were first attempts at measuring the economic impact of private schools and had limitations. The AICS study used a variety of national averages for increased earnings and student expenditures in place of specific school data, introducing a substantial amount of potential error into its estimates. It also added together student and school expenditures, and predicted student earnings, a method that is not considered appropriate for measuring economic impact by economists specializing in the field. It employed estimates for value of schools' plant and other curriculum rather than just measuring actual expenditures, another method that economists view as inappropriate for measuring total economic impact.

After reviewing these two studies and consulting with an economist at the University of California, Berkeley, TRC staff designed a methodology for measuring the economic impact of Virginia's private career schools in three areas--job creation within the schools themselves and in the economy, private sector sales in the state economy, and personal income within the state--for the 1984-85 school year. School directors were asked to report the number of individuals they employed full time and part time, as well as their schools' total 1984-95 expenditures in eleven different categories (see Table 26). Economies are interdependent; what is spent in one sector has an effect elsewhere. To measure this multiplier effect, economists have developed weights which reflect the varying impacts of different types of expenditures. Total impact on the state economy is assessed here by multiplying the total expenditures in each category by an econometric weight for sales, personal income and jobs. The weights used in this model came from the Department of Water Resources' input-output model for the California economy (DWR, 1980) and reflect the role that different categories of expenditures play in generating additional sales revenues or personal income in the state economy. While these weights were developed for the California economy, they should be similar to the relationships that exist in Virginia's economy. The results indicate that Virginia's private career schools employed a total of 1,162 full-time workers and 914 part-time workers in 1984-85, and created a total of 3,157 jobs in all sectors of the

economy. In addition, their total impact on private-sector sales in the state economy was over $45 million. These results are discussed below in greater detail.

Employment. School directors were asked to indicate how many people they employed, full time and part time, in three categories: (1) instructors (all teaching personnel), (2) administrators (administrators, secretaries, financial aid and admissions officers), and (3) "other" (all employees not included in the first two categories).

TABLE 26
FULL-TIME AND PART-TIME EMPLOYMENT
BY SCHOOL TYPE

Business	Trade N=28	Technical N=40	Cosmo N=16	Total N=16	N=100
Full-time					
Instructors					
total	280	80	96	80	536
average	10	2	6	5	5
Administrators					
Total	224	120	160	48	552
Average	8	3	10	3	6
Other					
Total	24	17	18	15	74
Average	1	71	1	1	1
Total employed full-time					1,162
Part-time					
Instructors					
Total	224	160	256	32	672
Average	8	4	16	2	7
Administrators					
Total	56	38	49	19	162
Average	2	1	3	1	2
Other:					
Total	25	33	7	15	80
Average	1	1	>1	1	1
Total employed part-time					914

As Table 26 shows, in 1984-85, Virginia's private career schools employed a total of 1,162 full-time workers: 536 instructors, 552 administrators, and 74 "others." Business schools accounted for the largest number in all three categories, followed by technical, trade, and cosmetology schools. Technical, trade, and business schools seemed to supplement their relatively small full-time teaching staffs with a substantial number of part-time instructors. Their heavy reliance on part-time staff may mean that these schools, which pay relatively low salaries, have difficulty competing with industry for full-time instructional personnel.

Multiplying the number of full time equivalent jobs in the schools times a weight, the total number of jobs created both within the schools and in other sectors of the economy can be measured. Assuming that part-time employees of the schools work half-time, the total full-time equivalent jobs in the school is 1,619. Multiplying this number times the weight for educational services (1.95) provides the number of full-time equivalent jobs created in other sectors of the economy (see Table 27).

TABLE 27
JOBS CREATED IN OTHER SECTORS
OF THE ECONOMY

Total Fulltime Equivalent Jobs In Schools	Weight	Fulltime Equivalent Jobs Created In the Private sector
1,619	1.95	3,157

In summary, Virginia's private career schools employed over 2,000 people in 1984-85, and had annual payrolls of over $16 million, and created 3,157 jobs in the Virginia economy.

Impact on private-sector sales. As private companies, proprietary schools are consumers of the goods and services of other firms. Hence, their expenditures create additional economic activity, specifically sales in other parts of the private sector. Table 28 shows the total estimated expenditures and average school expenditures for the 100 schools included in the study for the 1984-85 school year, by school type.

TABLE 28
EXPENDITURES FOR 1984-85
BY SCHOOL TYPE

	Business N=28	Trade N=40	Technical N=16	Cosmo N=15	Total N=99
Salaries and benefits:					
Total	$8,045,814	$1,063,472	$6,721,677	$1,007,279	$16,838,241
Average	287,350	26,587	420,105	67,152	170,083
Rent or mortgage:					
Total	1,371,374	342,497	1,185,635	167,472	3,066,979
Average	48,978	8562	74,102	11,165	30,980
Utilities:					
Total	392,360	117,428	371,472	134,794	1,016,054
Average	14,013	2936	23,217	8986	10,263
Instructional Equip.:					
Total	284,973	107,088	1,068,601	89,509	1,550,171
Average	10,178	2677	66,788	5967	15,658
Insurance:					
Total	86,574	43,600	99,748	25,588	255,510
Average	3092	1090	6234	1706	2581
Outside services:					
Total	231,915	57,865	251,080	89,563	630,422
Average	8283	1447	15,693	5971	6368

TABLE 28 (Cont.)
EXPENDITURES FOR 1984-85
BY SCHOOL TYPE

	Business N=28	Trade N=40	Technical N=16	Cosmo N=15	Total N=99
Advertising:					
Total	$1,302,690	$205,034	$1,252,148	$84,800	$2,844,671
Average	46,525	5126	78,259	5653	28,734
Other supplies:					
Total	207,791	104,275	530,702	183,186	1,088,955
Average	9671	2607	33,169	12,212	11,000
Taxes:					
Total	609,216	70,982	416,247	59,641	1,156,086
Average	21,758	1775	26,015	3976	11,678
Leasehold improvements:					
Total	112,102	48,977	281,554	35,674	478,307
Average	4004	1224	17,597	2378	4831
Other expenses:					
Total	1,466,668	627,177	3,465,280	35,050	5,594,175
Average	52,381	15,679	216,580	2337	56,507

Total expenditures were estimated as follows. For those schools completing the study questionnaire, total expenditures in each of the eleven categories were summed by type of school. Then, this figure was divided by the number of students enrolled

in the responding schools to arrive at a figure for per-capita expenditures in schools in each category by type of school. To estimate expenditures in schools that did not complete the questionnaire, these per-capita figures were multiplied by each school's enrollments. The estimated and reported expenditures were then aggregated to produce the total estimated expenditures for the entire population of private career schools.

The total expenditure was then multiplied by the appropriate weight from the DWR model to arrive at the total volume of private-sector sales generated by private career schools. As Table 29 shows, the schools generated $124.6 million in private-sector sales in 1984-85.

TABLE 29
ECONOMIC IMPACT ON SALES

Item	Expenditure	Sales Weight	Total Sales Generated
Salaries	$16,838,241	3.71	$62,469,874
Rent or mortgage	3,066,979	2.18	6,686,014
Utilities	1,016,054	3.38	3,434,262
Instructional equipment	1,550,171	4.02	6,231,687
Insurance	255,510	4.53	1,157,460
Outside services	630,422	3.70	2,332,561
Advertising	2,844,671	4.15	11,805,384
Other supplies	1,084,955	3.73	4,061,802
Taxes	1,156,086	0	0
Leasehold improvements	478,307	3.87	1,851,048
Other expenses	5,594,175	4.40	24,614,320
Total			$ 124,644 462

Impact on personal income. A third way to look at the economic impact of private career schools is to measure the total amount of personal income generated within the state by the schools' expenditures. For this calculation, the same total expenditure figures reported in Table 28 were multiplied by a new set of weights. As Table 30 shows, in 1984-5, Virginia's private career schools generated an estimated $45.7 million in personal income.

TABLE 30
ECONOMIC IMPACT ON INCOME

Item	Total Expenditure	Income Weight	Total Income Generated
Salaries	16,838,241	1.18	19,869,124
Rent or Mortgage	3,066,979	1.20	3,680,374
Utilities	1,016,054	1.30	1,320,870
Instructional equipment	1,550,171	1.59	2,464,771
Insurance	255,510	1.77	452,252
Outside services	630,422	1.71	1,078,021
Advertising	2,844,671	1.35	3,840,305
Other supplies	1,088,955	1.47	1,600,763
Taxes	1,156,086	0.0	0
Leasehold improvements	478,307	1.63	779,640
Other expenses	5,594,175	1.89	10,572,990
Total			$45,659,110

7. What is the outlook for private career schools over the next two years?

School directors were asked to indicate what increase or decrease they expected over the next two years (1985-86 and 1986-87) in four different areas: enrollments, staff, overall expenditures, and tuition.

Despite the decline in the number of high school graduates, schools anticipated a fairly rapid rate of growth in enrollments. The average school expected enrollments to grow by 49%. Only six schools predicted a slight decrease in enrollments (4%).

School staffs were expected to increase by only half as much as enrollment, suggesting that schools expect to improve their efficiency and to serve more students with fewer staff members, perhaps by relying more on self-paced instruction.

Schools expected their annual expenditures to grow by an average of 21%. If this projection is accurate, their economic impact will increase substantially over the next two years.

Modest tuition increases of about 11% over two years were anticipated, indicating that private career schools are trying to keep their costs down in order to attract students in an era of dwindling federal and state financial aid.

Trade and technical schools anticipated the greatest growth in enrollments and staff over the next two years, followed closely by business and cosmetology schools. Technical schools anticipated the greatest growth in expenditures, perhaps because they are under constant pressure to update the equipment in their

computer and other high-tech programs.

Surprisingly, technical schools predicted the smallest increase in tuition (an average of only 4%), whereas cosmetology schools expected to raise their tuitions by 18%, trade schools by 10%, and business schools by 9%.

TABLE 31
PROJECTED CHANGES IN ENROLLMENT, STAFF, EXPENDITURES AND TUITION FOR 1986-87, BY SCHOOL TYPE

	Business N=28	Trade N=40	Technical N=16	Cosmo N=16	Total N=100
Enrollment					
Avg. % increase	48%	54%	51%	41%	49%
Avg. % decrease	0	3	10	0	4
Staff					
Avg. % increase	23	23	30	23	24
Avg. % decrease	0	0	0	0	0
Expenditure					
Avg. % increase	19%	17%	32%	19%	21%
Avg. % decrease	0	0	0	0	0
Tuition					
Avg. % increase	9	10	4	18	11
Avg. % decrease	0	0	3	0	1

Summary of Findings

Five major findings emerged from this study.

1. Virginia's private career schools constitute a vocational training resource at least equal in size to the Virginia Community College System's occupation/technical programs. Private career schools enrolled 21,335 students full-time, and 12,469 students part-time. Their estimated full-time-equivalent enrollment was over 27,500, compared with a full-time-equivalent enrollment of 22,721 in community college occupational/technical programs. (It is important to note that this estimate does not take into account the large number of unaccredited cosmetology schools that were excluded from the study because of lack of data.)

2. Private career schools are a diverse and highly competitive sector of higher education. The private career schools included in the study ranged in size from small schools enrolling fewer than 100 students and offering a single program to large multiprogram technical institutes. They offered a wide array of programs in business, health, the traditional trades, technical fields, and cosmetology. Fifty-six percent were accredited by a nationally recognized body, making their students eligible for a variety of federal financial aid programs. Most of them were owned by corporations, but one in five was owned by a sole proprietor who probably operated the school by him/herself. Forty percent of the schools were part of a chain.

The schools compete aggressively for students. As a group, they spent over $2.8 million in advertising during the 1984-85

school year. They saw themselves as competing primarily with other private career schools and with the occupational/technical programs of the public community colleges. To a more limited degree, they competed with other public adult education programs, community-based organizations, and certificate programs in four-year colleges.

3. Private career schools serve a large number of disadvantaged student. While their clienteles came from all ethnic groups and social classes, the private career schools served a particularly large group of disadvantaged students. Forty-two percent of those enrolled in the typical proprietary school were minority students. Over half of the financially independent students earned less than $12,000, and 17% had relied on public assistance before enrolling.

Eighty percent of the schools in the study admitted students without a high school diploma if the students could prove--through a personal interview or test--that they had the ability to benefit from instruction. As a result of this admissions policy, almost one in five of their students had not completed high school before enrolling.

Private career schools served both young students seeking training for their first jobs and older students seeking retraining. Technical and trade schools enrolled larger proportions of reentry students, whereas business and cosmetology schools enrolled larger proportions of younger students.

Even though a large proportion of their students were disadvantaged, private career schools reported a completion rate

of 71%, which compares favorably with the national rate for all proprietary schools (63%) and for public community colleges (46%).

The schools placed 64% of their graduates in jobs related to training; an additional 9% found unrelated jobs. In all, the schools surveyed reported training and placing over 16,000 students in 1984-85.

4. Private career schools are highly responsive to changes in the labor market and to the needs of local employers. Several findings from this study demonstrate the responsiveness of private career schools to employers. First, private schools were quick to drop or add programs, because of changes in local labor market conditions. Thus, decisions to add programs were based primarily on student requests and employer requests. Schools involved in new high-technology fields also relied heavily on industry advisory groups to determine if new programs should be added. Similarly, declining enrollments and difficult placement were the primary reasons for dropping programs.

Some private career schools were working cooperatively with local firms to develop training programs for employees. Thirty-one percent of the schools surveyed had contracted with at least one employer for specialized programs. Employers ranged from international corporations and the U.S. government to local and small businesses. The programs ranged from word processing to welding and marine safety.

The schools were also responding to public sector demand by participating in JPTA programs. Twenty-eight percent of the schools surveyed had participated in state or local JPTA programs

in 1984-85.

5. Private career schools have a major impact on Virginia's economy. In 1984-85, the schools surveyed employed 1,162 full-time workers and 914 part-time workers and had a payroll of more than $16 million. They created a total of 3,157 jobs in the economy. Overall, the schools as an industry generated over $124 million in private-sector sales and $45 million in personal income, as well as paying over $1.1 million in federal, state, and local taxes.

Recommendations

1. In planning for the future, policymakers should consider ways to use the resources of private career schools before expanding public programs.

For the foreseeable future, concern about the national deficit will mean reduced federal resources for postsecondary education. Policymakers must find ways to stretch existing resources in order to meet the needs of a growing economy that is being reshaped by technological and demographic change.

One way to do this is to make better use of the substantial private investment in job training that is represented by Virginia's private career schools. Besides complementing public vocational training, these schools have some unique strengths. Driven by the profit motive, they have been particularly successful in reaching the most disadvantaged students and in responding to the needs of local employers.

2. Private career schools should be linked to state training efforts through innovative funding strategies.

As noted in the introduction, even though they are represented on the State Council for Higher Education and the state Private Industry Council, Virginia's private career schools are not mentioned in the major planning documents that guide state policymakers (The Virginia Community College System Master Plan, 1982-1990 the Virginia Plan for Higher Education and the state's five-year plan for expenditure of Vocational Education Act funds). This study provides the data which policymakers need to begin including private career schools in their plans.

Some career schools are already linked to public training through their participation in JPTA and in federal financial aid programs. Policymakers could strengthen these links by allowing local community colleges and school districts to contract with private career schools for training in certain areas. This arrangement would give community college students access to programs otherwise not available to them but would not entail the

substantial investment and risk involved in starting what may be a redundant program in the public sector.

The state could also benefit by allowing Virginia residents to use State Student Incentive Grants, which are currently available only to students attending public colleges, so that they could use them to attend private career schools. Although these changes may involve additional outlays of state funds, they may in the long run be less expensive than expanding the public system. Moreover, the state will not be saddled with unused physical plants or tenured faculty in subjects for which there is no longer any student demand.

Formally, linking private career schools to public programs and state planning does create some risks. Private career schools driven by the profit motive appear to respond quickly to changes in student or employer demand. If schools came to rely on public funding through contracts or student aid, they may cease responding to markets. Furthermore, school owners used to having a large degree of autonomy, may resist participation in state planning if they believe it reduces their perogatives as a business owner.

One solution to this dilemma is to design public programs that provide the schools with an incentive to respond to the labor market. One approach, used by the Employment Training Panel (ETP) in California, is to contract for training with private providers,

but pay only for participants who complete the program and are successfully placed (Arthur Young, 1985), (Moore, 1985). Other plans involving vouchers and performance contracts have been used in JPTA programs. Such innovative strategies should be considered in future state planning.

Private career schools, some of which are already contracting with businesses to provide training to current employees, could help ease Virginia's transition from an industrial-based economy to a service and information-based economy. Through a combination of public and private resources, they could help in placing laid-off industrial workers and in upgrading a company's existing workforce.

The human and physical capital invested in private career schools should be an attractive inducement to those companies which may be thinking of locating in Virginia. By including these private resources in state planning, Virginia can offer a more comprehensive package of training resources to employers.

3. The department of education should develop a data base of comparable data on private and public postsecondary training programs.

This study provides the basic data needed to begin including private career schools in state planning, but more data are needed. The state should collect comparable data on public and private course offerings, costs, enrollments, placements, and expenditures. These data should be maintained on an automated system that is easily accessible to planners. Upgraded data should improve the quality of planning by allowing the state to

monitor critical trends and to make adjustments in response to changes in the economy.

A state data base would also be valuable to the consumer. If prospective students have objective data on program lengths, accreditation, financial aid, graduation rates, placement rates, and costs, they can choose more wisely among the public and private options available to them.

4. The state of Virginia should initiate continuing programs of research and evaluation on both public and private postsecondary training.

This study represents a modest, privately-funded effort to provide the comparative data needed for policymaking. However, it makes no attempt to assess the real costs of public vs. private training or to calculate the return on public investment in private and public training. Such an examination is needed if policymakers are to allocate the limited funds available in the most efficient manner possible.

Further research is also needed to determine what incentives can be built into job training policies to insure that the vocational programs of both public and private institutions are responsive to the labor market.

REFERENCES

Association of Independent Colleges and Schools, AICS Institutions: A major U.S. Economic Resource, 1984.

Arthur Young Inc. Study of the California Employment and Training Panel, 1985.

Department of Water Resources. Measuring Economic Impact: The Application of Input/Output Analysis to California Water Resource Problems. Bulletin 210, March 1980.

Moore, Richard and Wilms, Welford. Campus-Based Aid in Proprietary Vocational Schools: A Question of Equity, The Career Training Foundation, Washington D.C., unpublished, 1985.

Moore, Richard W. Job Training a Tool for Economic Development, The Employment Training Panel, Sacramento, 1985.

National Center for Educational Statistics. Enrollments and Programs in Noncollegiate Postsecondary Schools, 1982.

Virginia Community College System. Annual Report 1984-85.

Virginia Community College System. Enrollment Booklets, 1984, 1985.

Wilms, Wellford. Private Training and the Public Interest: A Study of California's Proprietary Vocational Schools, The California Department of Education, the California Private Education Council, and the California Postsecondary Education Commission, 1984.

TRAINING RESEARCH CORPORATION

Established in 1983, Training Research Corporation uses the best in social science research to solve problems in the fields of employment, training and higher education. Its efforts are divided between public policy research and studies for individual colleges and schools.

TRC's recent studies have included a study of the causes of Guaranteed Student Loan defaults in California, a series of seminars on the current labor market issues for the California Employment Training Panel, as well as several studies for the National Commission on Student Financial Assistance and the National Institute of Education.

TRC has conducted studies of the economic impact of proprietary schools in California and New York.

Selected List of Clients:

American Council on Cosmetology Education
Association of Independent Colleges and Schools
California Employment Training Panel
California Senate Office of Research
California Student Aid Commission
Career Training Foundation
National Association of Trade and Technical Schools
National Commission on Student Financial Assistance
National Institute of Education
Port of Oakland